

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BRUSSE 00632 221102Z

15

ACTION EUR-12

INFO OCT-01 IO-11 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 NSC-05 SS-15 L-03

/084 W

----- 095685

R 221014Z JAN 76

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 5881

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION MTN GENEVA

LIMITED OFFICIAL USE BRUSSELS 00632

E.O. 11652: N/A

TAGS: EFIN, ETRD, EEC, BE

SUBJECT: CURRENT BELGIAN ATTITUDE TOWARDS INFLATION INSURANCE  
SCHEMES

REF: 75 EC BRUSSELS 11475

1. LOCAL PRESS THIS WEEK REPORTS RECENT VISIT OF BELGIAN  
MINISTER FOR FOREIGN TRADE MICHEL TOUSSAINT TO PARIS TO  
DISCUSS FRENCH COST INFLATION INSURANCE PROGRAM WITH GOF.  
ARTICLE, WHICH CONFIRMED BY MFA SOURCES, SAYS THAT TOUSSAINT  
COMPLAINED TO FRENCH MINISTERS FOURCADE AND D'ORNANO ABOUT  
PROGRAM ARGUING THAT (A) COSTS ARE CURRENTLY MORE OF A  
PROBLEM FOR BELGIAN EXPORTERS WHO DO NOT HAVE SUCH A PROGRAM  
THAN FOR THE FRENCH WHO DO; (B) EXISTENCE AND SPREAD OF  
THIS TYPE OF INSURANCE WITHIN EUROPEAN COMMUNITY POSES

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRUSSE 00632 221102Z

SERIOUS PROBLEM FOR MEMBER STATES.

2. IN CONVERSATION WITH EMBOFF, MFA DIRECTOR FOR FOREIGN FINANCIAL RELATIONS GILBERT MORLEGHEM BEGAN BY RECALLING THAT BELGIUM, THE NETHERLANDS, AND WEST GERMANY HAVE BEEN SPEARHEADING MOVEMENT WITHIN EC TO PHASE OUT INFLATION INSURANCE SCHEMES. ALL THREE COUNTRIES HAVE FORMALLY ASKED EC COMMISSION TO TAKE POSITION OPPOSING SUCH PRACTICES, AN EFFORT WHICH HAS APPARENTLY MET WITH SOME SUCCESS (SEE REFTTEL).

3. IN RECENT MONTHS, HOWEVER, BELGIAN EXPORTERS HAVE BECOME INCREASINGLY RESTIVE, MORLEGHEM SAID. FACED WITH AN INFLATION RATE HIGHER THAN THAT OF ITS NEIGHBORS (11 PERCENT IN 1975) AND ITS CONSEQUENCES FOR COSTS UNDER BELGIUM'S SYSTEM OF AUTOMATIC SALARY INDEXATION, EXPORTERS OF HEAVY CAPITAL EQUIPMENT OR TURN-KEY PLANT FACILITIES HERE ARE BECOMING MORE INSISTENT THAT BELGIAN GOVERNMENT ASSIST THEM IN RE-ESTABLISHING THEIR COMPETITIVE POSITION. GOVERNMENT RESPONSE SO FAR HAS BEEN TO EXPAND EXISTING PROGRAMS TO SUBSIDIZE EXPORT CREDIT INTEREST RATES (REDUCING THEM FROM CURRENT MARKET 9.3 PERCENT TO AROUND 8 PERCENT), BUT ITS RESOURCES IN THIS AREA ARE NEARING EXHAUSTION. (INTEREST RATE ADJUSTMENTS DO NOT, IN ANY CASE, HELP IN GAINING LARGE SCALE CASH CONTRACTS IN THE MIDDLE EAST). BELGIAN INDUSTRY ATTENTION THUS INCREASINGLY FOCUSED ON BRITISH AND FRENCH INFLATION INSURANCE SCHEMES, ACCORDING TO MORLEGHEM. IT DEMANDS THAT SCHEMES EITHER BE ABOLISHED OR THAT IN SELF-DEFENSE, BELGIUM FOLLOW SUIT.

4. MORLEGHEM SAID BELGIAN GOVERNMENT WILL CONTINUE TO DEAL WITH THIS PRESSURE BY URGING EC ACTION PLUS PUBLICIZING BILATERAL EFFORTS SUCH AS THAT VIS A VIS FRENCH (WHO WERE, BY THE WAY, COMPLETELY UNYIELDING, HE SAID-ALTHOUGH HE SEES SOME INTERNAL DISSENSION ON ISSUE WITHIN GOF). BELGIAN OPPOSITION PARTLY FINANCIAL, SINCE NATIONAL BUDGET ALREADY IN SERIOUS DEFICIT. IT IS ALSO BASED, HOWEVER, ON PRINCIPLE, ACCORDING TO MORLEGHEM. BELGIUM REGARDS FRENCH 6.5 PERCENT INSURANCE CEILING IN CURRENT ECONOMIC CLIMATE AS TANTAMOUNT TO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRUSSE 00632 221102Z

STRAIGHT EXPORT SUBSIDIZATION, AND SUSCEPTIBLE TO ATTACK ON THAT BASIS IN BOTH EC AND GATT. NEVERTHELESS, HE NOTED THAT BELGIUM'S FIRST PRIORITY MUST ULTIMATELY BE PROTECTION OF ITS EXPORTS, WHICH ACCOUNT FOR OVER HALF ITS GNP. IMPLICATION WAS THAT IF EC FAILS TO ACT ON PROBLEM, BELGIUM MAY EVENTUALLY (AND RELUCTANTLY) BE FORCED BY ECONOMIC AND POLITICAL CIRCUMSTANCES TO ADOPT INFLATION INSURANCE PROGRAM OF ITS OWN. FIRESTONE

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INFLATION, COSTS, PRESS COMMENTS, MINISTERIAL MEETINGS, FINANCIAL PROGRAMS, EXPORT INSURANCE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 22 JAN 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976BRUSSE00632  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760025-0313  
**From:** BRUSSELS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760133/aaaabciz.tel  
**Line Count:** 115  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 EC BRUSSELS 11475  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 29 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <29 MAR 2004 by KelleyW0>; APPROVED <13 MAY 2004 by morefirh>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CURRENT BELGIAN ATTITUDE TOWARDS INFLATION INSURANCE SCHEMES  
**TAGS:** EFIN, ETRD, BE, FR, EEC  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006